

## **Galewela Pradeshiya - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Galewela Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure Account for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No.19 of 2018. My comments and observations which I consider should be presented to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Galewela Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

I express a qualified opinion regarding financial statement on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices for Local Authority, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

#### **1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing

Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Report on Other Legal Requirements**

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented are consistent with the

preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

- (b) The financial statements presented includes the recommendations made by me in the previous year, as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

## 1.6 Audit Observations on Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) During the year under review, the office equipment and constructions totalling Rs.4,843,868 had not been capitalized.	That, it will be corrected by the financial statements of the next financial year	Assets should be capitalized.
(b) When there was no physical building with the fish shop worth of Rs.2,679,804, the value was shown under buildings.	It will be corrected when preparing final accounts of year 2023.	It should be accounted correctly

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.35,855,237 in the reconciliation of the balances according to the corresponding reports with the balances mentioned in the financial statements of 16 account subjects.	Relevant source documents will be prepared correctly.	Accounts balance should be corrected.

### 1.6.3 Unauthorized Transactions

Audit Observation	Comments of the Sabha	Recommendation
In the year under review, although the Local Government Commissioner had approved to write off 03 receivable balances of Rs.1, 414,529, a balance of Rs.231, 024 had been written off beyond that approval.	That has been forwarded to the Governor for approval	Approval must be obtained for written off.

#### 1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of schedules and files related to the advance balance of Rs.5,171,070 as at the end of the year under review, it could not be verified.	Action will be taken to correct the balance	Schedules should be submitted

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.11,080,579 as compared with excess of revenue over recurrent expenditure amounted to Rs. 10,061,616 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Secretary relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Sources of revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i). Rates and Taxes	2,016,000	2,212,151	2,332,582	1,310,477	1,962,000	2,055,590	1,926,510	1,430,907
(ii). Rent	7,340,000	5,376,143	7,129,468	128,103	6,540,000	6,336,233	5,808,140	1,881,429
(iii). License Fees	4,450,000	4,431,625	4,350,626	772,370	4,500,000	4,095,609	4,095,609	691,370
(iv). Court Fine	20,000,000	14,396,750	12,900,000	4,298,250	30,000,000	4,189,000	1,387,500	2,801,500
(v). Stamp duty	20,000,000	32,690,034	32,808,792	6,937,672	30,000,000	7,618,430	563,000	7,055,430
(vi). Other revenue	25,127,000	8,159,691	7,578,909	740,812	25,037,000	4,904,583	4,904,583	160,029
<b>Total</b>	<b>78,933,000</b>	<b>67,266,394</b>	<b>67,100,377</b>	<b>14,187,684</b>	<b>98,039,000</b>	<b>29,199,445</b>	<b>18,685,342</b>	<b>14,020,665</b>

#### 2.2.2 Performance in Revenue Collection

Observations related to performance in revenue collection of the Sabha are given below.

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	Rates had been collected in the year under review based on the assessment of 2011.	Although letters were sent requesting a new assessment in the year 2020, the assessment has been temporarily suspended on the order of the Honourable Governor by the letter dated 08.02.2021.	Action should be taken to obtain assessment reports.
<b>3.</b>	<b>Operational Review</b>		
<b>3.1</b>	<b>Identified Losses</b>		
	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	No action was taken regarding the deficit of 81 GI pipes amounting to Rs.89,667.	That, further work will be done	It should be complied with financial regulation.
<b>3.2</b>	<b>Assets Management</b>		
	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	The ownership of 25 lands and 59 cemeteries belonging to the Galewela Pradeshiya Sabha had not been taken over, and the ownership of the tractor that had been received in the year 2009 had not been taken over either.	Since land acquisition is a work involving several government agencies, this cannot be done immediately.	The ownership should be taken over.
<b>3.3</b>	<b>Procurement Management</b>		
	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	Although the contract was awarded on 14 March 2022 to the company that submitted the lowest price of Rs. 5,495,000 after calling for quotation from the registered suppliers of the Central Provincial Council to install a solar power system for the multi-purpose building of the Galewela Pradeshiya Sabha, but the contract was not signed on the fixed date and the Sabha fund had incurred a loss of Rs. 1,802,000 due to the fact the price was increased by Rs. 1,802,000 from the agreed price and	Due to the crisis situation in the island and lack of fuel, the problematic conditions of the public transport service, the contractors were unable to come to the office and therefore could not sign the contract as scheduled.	Services should be provided at minimum cost.

bought again for Rs. 7,297,000 from the same company as of 01 April 2022. the Sabha fund.

### **3.4 Human Resources Management**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) As on December 31 of the year under review, there were 14 vacancies related to 02 posts in the Sabha.	Requisition had been made for recruitment for secondary level vacancies. Recruitment at the primary level has been suspended by Management Services Circular 2020/02, so recruitment cannot be carried out.	Vacancies should be filled.
(b) 17 employee loan balances totalling Rs.731,479 was not recovered from year 01 to year 43.	Action will be taken to recovered	Loan balances should be recovered.